



LSE GUIDE TO GOOD SERVICE MANAGEMENT



INTRODUCTION TO GOOD SERVICE MANAGEMENT AT LSE

LSE spends on average around £80m a year on goods and services with the ultimate aim of giving our students a first class experience whilst they are here. The School relies on external companies to deliver a range of services from cleaning our halls of residence and offices, to fixing the photocopiers if they break down.

When a supplier is not performing properly they affect the operation of the School and can have a damaging effect on how we are seen by the rest of the world.

This guide has been developed by the Procurement Team to give practical advice to LSE personnel who have responsibility for the day-to-day managing of contracts. However, for high value/critical contracts, where service failure would significantly impact on the School, it is recommended that new service managers attend a specialised service management training course to ensure that they have the skills required to provide effective monitoring of the service and implementation of remedies for failure.

Please note that any purchases of goods/services should be in accordance with the School's Financial Regulations.

We hope you find this guide useful and would welcome your feedback.

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Contract Management & Service Management

What is the difference?

Both deal with the set-up of contracts, and ongoing monitoring of the supplier performance of contracts, but one is the responsibility of the budget holder's Service Manager and the other the responsibility of the Procurement Team.

Service Management

This is the responsibility of the Service Manager and includes:

- Writing the requirement specification;
- Evaluating supplier tenders;
- Arranging supplier meetings;
- Building a working relationship with the supplier;
- Monitoring supplier performance against contractual service levels;
- Claiming contractual remedies for service level failures.

Contract Management

This is the responsibility of the **Procurement Team**, who will advise on:

- The specification;
- The contractual terms & conditions, service levels and remedies for failure;
- Evaluation criteria;
- Supplier commercial proposals;
- Bid clarification;
- Post tender negotiation;
- Contract construction and award;
- Supplier de-brief;
- Contract variations;
- Contractual disputes;
- Re-tendering.

The purpose of this document is to provide guidance on **Service Management** and what is required by Service Managers to ensure that the LSE receives the best possible service from its suppliers.

WHY SERVICE MANAGEMENT IS IMPORTANT TO LSE

Imagine a visitor coming to the LSE. They will notice how clean the premises are kept, they expect efficient and courteous treatment if they request directions from security guards. And if they are coming to an event, they will expect that the audio visual systems will work perfectly. All these services are provided by external companies representing the public face of LSE.

Poor performance is also a waste of LSE money – particularly if the contract was awarded to a supplier after a lengthy tender exercise.

A successful contract is where:

- The performance and services provided by the supplier are satisfactory to LSE – and improves over the length of the contract.
- The end user receives good customer service.
- There are no disputes between LSE and the supplier – no resorting to solicitors and court rooms!
- The supplier gets paid on time and gets paid the amounts as specified in the contract.
- The Service Manager and supplier work together to identify efficiency savings.
- The relationship between the supplier and LSE is carried out on a cordial professional basis.

Successful contracts do not run themselves. A recent survey estimated that the management of a contract costs about two per cent of its actual value.

This Guide gives advice on four main aspects of service management:

- **The Contract**
- **Relationship and Performance Management**
- **Change**
- **Budget**

THE CONTRACT

It is important to take time during the procurement process to ensure that the contract (in particular the specification) fully covers your requirements. The Procurement Team will be able to advise you. A poor contract will lead to difficulties in both service and contract management and could lead to disputes over interpretation and costly contract changes.

A good contract should contain:

- The service requirement;
- Any specific standards required;
- Service Levels/Key Performance Indicators (including how they are measured and remedies for supplier failure);
- Escalation Process and Dispute Procedure;
- Pricing and a mechanism for agreed increases (if allowed);
- Payment terms;
- Contract Change procedure;
- Timescales;
- IPR (any intellectual property rights that are created during the course of the contract will belong to LSE);
- Confidentiality;
- Duration of contract;
- Meeting and Reporting requirements;
- Termination/cancellation clauses;
- Insurances that the supplier must hold;
- The contract being subject to English law.

The Transfer of Undertakings (Protection of Employment Regulations) (TUPE)

If a proposed contract involves personnel being transferred, either from the LSE, or from the existing supplier to the new one, TUPE legislation may apply. You must consult the Procurement Team and Human Resources at the earliest opportunity. The LSE has specific contractual terms for TUPE.

User Expectation

Often Service Managers in the LSE are managing a service on behalf of other departments, such as the building cleaning service or purchase of an IT package. The users of the service should be aware of what is specified in the contract and what they can expect (and equally important, what they cannot expect!). If the users understand the requirement they can give constructive feedback, which can aid the LSE budget holder in monitoring how the supplier is performing.

RELATIONSHIP AND PERFORMANCE MANAGEMENT

Legal Relationship

The relationship between LSE and its suppliers is a legal one. LSE is more properly known as “The London School of Economics and Political Science” a company limited by guarantee and registered under the UK Companies Act 2006. It is also recognised as a charity.

When LSE enters into a contract with a supplier, there is a “quid pro quo” relationship, the supplier performs the specified service and LSE is then bound to pay the specified amount on the agreed date; as per the terms of the agreement.

The Late Payment of Commercial Debts Regulations 2002 gives suppliers the statutory right to claim interest on late payments from other businesses. If LSE doesn't pay its bills on time, then we could get charged interest on that amount.

The payment processes are detailed in LSE's Accounts Payable Guide. Ensure that the supplier is paid on time: few things upset suppliers more than having to chase payment!

Working Relationship

The service should improve if there is a good working relationship between the Service Manager and the supplier's Account Manager. Two way feedback enables the supplier to better understand our requirements and the Service Manager to understand what we can do to help the supplier perform more efficiently.

Review Meetings

To monitor the service and ensure that the contract runs smoothly, the main players from the supplier and LSE representatives should meet on a regular basis. These progress meetings can be held on a frequency appropriate to the requirement, but at least quarterly, with an agenda agreed beforehand by both parties. If the contract is strongly customer orientated, then their feedback should be sought and this will form the basis of the meeting.

Review meetings aims:

- review contract performance and continuous development using a two way feedback process.
- consider new approaches to provision of the service, providing potential efficiency savings.
- For contracts with a substantial element of human to human interaction (e.g. cleaning and security services), diversity and inclusion issues should be discussed, particularly any discriminatory related complaints received (also see Equality and Diversity below).

Management Information

Management information will be required to hold meaningful discussions in the review meetings. It is advisable to:

- request reports two weeks in advance of review meetings including accurate management information on the use of the contracted service;
- recommendations for improvements/innovative approaches;
- breakdown of performance against the contractual service levels.

A brief summary of discussions and actions should be recorded and then agreed by both parties. This can then be referred to if any disputes occur in the future.

Equality and Diversity

LSE's contractual terms state that suppliers should comply "with any and all applicable anti-discrimination legislation in connection with the performance of the contract (including in the supplier's employment practices)". To ensure compliance, it is essential to monitor and discuss any feedback during review meetings with suppliers.

Disputes and Complaints

It is not uncommon for there to be disagreements which arise during the course of a contract. Contracts should clearly state what happens if one party fails to perform their obligations.

Communication is key to maintaining relations and fixing problems. It is not in either party's interests to present the other side with a *fait accompli*, an unexpected bill, or threatening to terminate the contract.

Raise any issues immediately with the Account Manager. If still not resolved, then the contractual dispute procedures should be followed. The Procurement Team can be contacted for advice.

Hospitality and Ethics

The School's Financial Regulations are clear about the relationship that should exist between LSE members of staff and their dealings with suppliers. For example it is not appropriate to accept invitations to the supplier's corporate box at Wimbledon!

Only items of low intrinsic value, such as pens, mugs, calendars, diaries etc. should be accepted. All offers from suppliers must be recorded in a hospitality register and these records open to inspection by the auditors if requested.

Publicity

LSE is a world-class prestigious institution that companies would want to do business with and tell other rivals and prospective clients that the School is one of its customers. You may receive a request to act as a reference and comment on their performance. But be careful!

Consider the timing of the request – is this request made immediately after the signature of the contract? You may want to ensure that the supplier is actually performing well before LSE's name is used as a satisfied customer!

Our contracts would contain a clause as regards publicity, in effect any announcements or promotions that either party wants to make about the relationship would have to be pre agreed with the other party.

Publicity works both ways – the supplier may want to keep the relationship with LSE on a confidential basis, for example: they are developing software we are testing on their behalf. In some cases LSE may be asked to sign a Non-Disclosure Agreement (NDA) which will oblige us to keep certain aspects of the contract confidential. Please refer any requests for NDAs to the Procurement Team.

The End of the Contract

Under the LSE's Financial Regulations, the maximum length of time that a contract can be awarded is four years (including extensions). Any longer than four years must be approved by the Finance Director, via the Head of Procurement.

At some stage towards the last year of the relationship with the supplier, you should consider the re-tendering of the requirement and consult the Procurement Team on an appropriate procurement route and timescales.

Check the wording in the contract: in some cases you may have to write officially to the supplier, giving a period of notice. If you don't comply with the termination clauses, you may find that the contract rolls on for another year! Or the supplier can charge (quite legally) a fee for early termination.

CHANGE

During a three/four year contract, there may be significant changes in the contract. The original requirement may change in quantity or quality, or external factors such as change in legislation or technology may alter the way the solution is delivered.

The supplier may be asked to quote for additional services; especially as LSE buys and develops new buildings. Ensure that any additions are within the scope of the tendered requirement.

It is also likely that key personnel from both parties will come and go. This can have a major effect on the operation of a contract, especially if the account manager is responsible for day to day supervision of the service.

For the supplier's key personnel the contract should allow the LSE to be consulted on the new appointment.

Changes to the contract must follow the contract change procedure and any significant change must be documented by the issuing of formal variation or contract amendments. The Procurement Team can advise you on wording.



BUDGET

Budget controllers in LSE are responsible to the Chief Financial Officer and the Finance and General Purposes Committee for the management of the budgets in their control. They may delegate responsibility to **Budget holders** for the income and expenditure appropriate to their budgets.

Once a contract has been awarded and LSE has committed itself to spending certain amounts of money, it is the budget controller's role and responsibility to oversee the budget and the payment of invoices in relation to the contract.

Any queries about the budget process and its administration may be directed to the Head of Financial Planning and Analysis

Beware of price creep!

The amount that is payable to the supplier (and when payment is due) should be set out in the contract. However the contract may only set out what is payable in the first year and subsequent years may be linked to an index such as the Retail Prices Index (RPI).

Throughout the life of the contract, you may wish to carry out a benchmarking exercise to compare what you are paying against other Universities to give assurance that the price remains competitive.

We do not pay suppliers in advance for work that has not been done or for goods that have yet to be delivered! Please note that any contract requiring stage payments is a non-standard contract and advice should be sought from the Procurement Team.

Useful Checks

- Do you know the budget code(s) relating to the contract?
- Are you able to track expenditure on the contract using APTOS?
- Do you know when invoices are due from the supplier?
- If you have a contract that will last longer than a year; can you work out the basis of charging for years 2, 3 and 4?
- Check the wording in the contract regarding yearly price increases – how much advance notice is the supplier obliged to give you of any proposed yearly increase?
- Who will be responsible for signing off invoices? Do they know what they are signing off?

GLOSSARY OF TERMS YOU MAY ENCOUNTER AS A SERVICE MANAGER

APTOS – APTOS is the School's accounting system. It records and processes all of the School's income, expenditure, assets and liabilities. The UNITE Excel add-in allows budget holders to access budgetary information via a spreadsheet.

Force majeure – refers to a clause in contracts that essentially frees both parties from liability or obligation when an extraordinary event or circumstance occurs, which is unforeseen and beyond the control of the parties, for example: war; strike; riot; crime; flooding; earthquake; volcanic eruption.

IPR – intellectual property rights includes different types of invention, design, brand name or original creation. The LSE should retain rights to keep their IPR protected.

KPI – key performance indicators are measures and targets that are agreed by LSE and their contractors to see how well the contract is being performed.

LUPC – London University Purchasing Consortium. The School is a member of the LUPC who secure special advantageous pricing for LSE.

NDA – Non-disclosure Agreement i.e. an agreement to keep the contents of the contract confidential.

RPI or CPI – are indexes used to measure inflation in the UK. Two you may see used in contracts are the Retail Prices Index (RPI) and the Consumer Price Index (CPI). They measure the average change from month to month in the prices of goods and services purchased by most households in the United Kingdom.

SLA – Service Level Agreement is a document which defines the relationship between two parties: the provider and the recipient.

TUPE – The Transfer of Undertakings (Protection of Employment) Regulations 2006 are designed to protect the rights of employees in a transfer situation enabling them to enjoy the same terms and conditions, with continuity of employment, if transferred. TUPE 2006 applies to all relevant transfers including service provision changes where services are outsourced, "insourced", or assigned to a new contractor. Typical examples are cleaning, catering, or security.